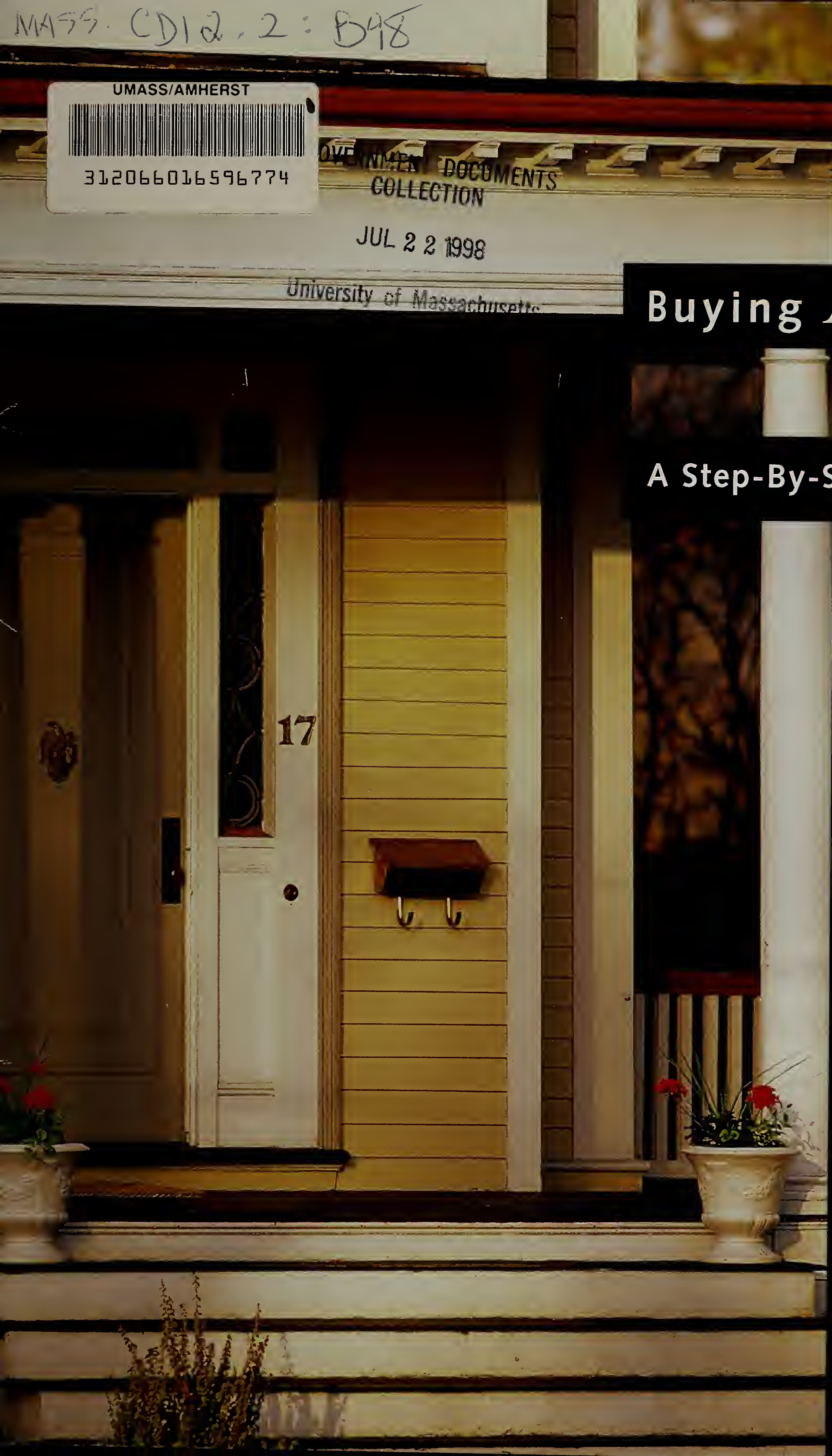

Buying *A Home*

A Step-By-Step Guide

HOMEOWNERSHIP PROGRAMS OF THE MASSACHUSETTS HOUSING FINANCE AGENCY

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Please note that this brochure is designed to give you a general understanding of how to buy a home with a mortgage from MHFA. This publication is not designed to provide a detailed explanation of all the legal rights and obligations that go with buying a home. For complete details, contact a participating lender.

Ask About MHFA's Homebuyer Counseling Program.

MHFA's Homebuyer Counseling Program educates first-time buyers in the complexities of the homebuying process and prepares them for the responsibilities of ownership.

Course graduates have access to MHFA mortgages for up to one year following the completion of their course.

Return the attached card for a list of course offerings.

Ask Today About MHFA's Homebuyer Counseling Program.

Buying *A Home*

Buying a home is probably the most important financial investment you will ever make. Since the homebuying process is often confusing to first-time buyers, the Massachusetts Housing Finance Agency (MHFA) has prepared this booklet to guide you through the major steps involved in a home purchase with MHFA financing.

BENEFITS OF MHFA FINANCING

Before we take you through the steps in the homebuying process, you will want to review "A Home of Your Own", a brochure describing MHFA's programs. MHFA assistance is available through a variety of programs including General Lending, Purchase and Rehabilitation, and Homebuyer Counseling. To qualify you must be a credit worthy, first-time homebuyer whose income and home purchase price fall within federally-set guidelines (see chart on page 14). The benefits of these programs to low- and moderate-income, first-time buyers include:

- REDUCED INTEREST RATES, TYPICALLY 1% TO 2% BELOW CONVENTIONAL INTEREST RATES
- LOW, 5% DOWNPAYMENT REQUIREMENT
- FAVORABLE UNDERWRITING RATIOS
- DOWNPAYMENT AND CLOSING COST ASSISTANCE FOR ELIGIBLE BORROWERS
- REHABILITATION FINANCING OPTIONS
- ACCESS TO MHFA'S MORTGAGE INSURANCE FUND
- OPPORTUNITIES FOR HOMEBUYER COUNSELING
- 0, 1 AND 2 POINT OPTIONS ON PROGRAMS
- STATEWIDE AVAILABILITY.

DETERMINING WHETHER YOU CAN AFFORD TO BUY A HOME

All prospective homebuyers should first try to answer a basic question: Can you afford to buy and maintain a home?

A. UNDERWRITING RATIOS

All lenders will assess your ability to afford a home using standard underwriting ratios; your housing expense to income ratio and your total monthly payment to income ratio.

Housing Expense to Income Ratio*
Your total monthly housing expense should not exceed 30% of your stable gross monthly income (regular monthly income before deductions for federal and state taxes and social security). Your monthly housing expense includes: mortgage principal, interest, real estate taxes, mortgage insurance, hazard insurance and, if applicable, homeowner's association fees. Use the chart at right to calculate this ratio.

Please note that if you are purchasing a 2-4 family home, a portion of the rental income may be considered in your ability to meet monthly mortgage payments. Consult your lender for complete details.

Your stable gross monthly income	________
Your stable monthly overtime/bonuses	________
Stable secondary monthly income	________
Total A	$ ________
Mortgage payments (Projected principal and interest)	________
Monthly fire and hazard insurance	________
Monthly real estate taxes	________
Monthly private mortgage insurance	________
Monthly homeowner's association fee (if applicable)	________
Total B	$ ________
Housing to income ratio B ÷ A =	$ ________

Housing expense (Total B) divided by monthly income (Total A) equals your housing to income ratio. This ratio should not exceed 30 percent.

Monthly payment to income ratio*
Your projected monthly housing expense plus payments on all other long-term debts should not exceed 36% of your stable gross monthly income. Long-term debt includes 5% of the outstanding balances on revolving credit cards (Visa, Mastercard etc.) as well as installment-debt having a remaining term of more than 10 months (such as car payments, bank loans, student loans, and finance company loans). Use the chart at right to calculate this ratio.

Total B from above	$ ________
Car loan	________
Car loan	________
Education loan	________
Education loan	________
Credit card(s)	________
Other loan(s)	________
	________
Total C	$ ________
Payment to income ratio C ÷ A from above =	$ ________

Total monthly payments (Total C) divided by stable monthly income (Total A) equals the payment to income ratio. This ratio should not exceed 36%.

***Higher credit ratios (33% and 38%) are available to buyers who complete an MHFA-approved Homebuyer Counseling course.**

B. MAXIMUM MONTHLY MORTGAGE PAYMENTS BASED ON INCOME

The table at right is based upon the underwriting ratios explained on page 2 and lists the maximum monthly mortgage payment you would qualify for based on a specific annual income.

Monthly mortgage payments include principal, interest, taxes, and mortgage and hazard insurance. Mortgage lenders often refer to these expenses as PITI.

These figures assume a housing expense to income ratio of 30% and may be higher for participants in MHFA's Homebuyer Counseling Program which offers a housing expense to income ratio of 33%.

If your annual income is the amount listed in the first column, your monthly principal, interest, taxes, and insurance (PITI) should not exceed the amount in the second column.

Income	PITI	Income	PITI
$15,000	$375	$24,000	$600
15,500	387	24,500	612
16,000	400	25,000	625
16,500	412	25,500	637
17,000	425	26,000	650
17,500	437	26,500	662
18,000	450	27,000	675
18,500	462	27,500	687
19,000	475	28,000	700
19,500	487	28,500	712
20,000	500	29,000	725
20,500	512	29,500	737
21,000	525	30,000	750
21,500	537	35,000	875
22,000	550	40,000	1,000
22,500	562	45,000	1,125
23,000	575	50,000	1,250
23,500	587	55,000	1,375

C. MONTHLY MORTGAGE PAYMENTS

The table at right will help you assess the impact of various interest rates on your monthly mortgage payments. You should be aware that these examples are estimates of the principal and interest and do not include real estate tax and insurance costs.

30 Year Fixed Interest Rate:	Mortgage Amount $75,000	$100,000	$135,000	$160,000
	Monthly Payment			
11% Interest Rate	$714	$952	$1,286	$1,524
10% Interest Rate	658	878	1,185	1,404
9% Interest Rate	603	805	1,086	1,287
8% Interest Rate	550	734	991	1,174
7% Interest Rate	499	665	898	1,064
6% Interest Rate	450	600	809	959

D. ACQUISITION COST LIMITS

The property you plan to purchase must be within MHFA's home acquisition cost limits. These limits are set in accordance with federal law and vary depending on the geographic area in which you are buying and the type of home (1-4 family, including condominiums) you are purchasing. The acquisition cost means the cost of acquiring a residence from the seller as a completed unit. The MHFA's current acquisition cost limits are defined on page 14.

E. DOWNPAYMENTS

While most homebuyers rely on a mortgage to purchase their home, no mortgage will cover the entire purchase price. Buyers must use their own funds to make an initial payment, known as a downpayment, on the home they are buying. Lenders believe that buyers who contribute their own funds to the purchase of a home represent a better credit risk.

Conventional lenders often require downpayments of as much as 20% of the home purchase price; the MHFA requires downpayments of only 5%. Half of that amount (2½%) can be in the form of a gift from a family member or, in some cases, a grant or loan from a public agency. This flexible downpayment requirement recognizes that with increases in housing costs in the past decade, many families have difficulty saving for a downpayment of more than 5% and for mortgage closing costs discussed in the next section.

F. CLOSING COSTS

Now is also a good time to consider how much it will cost you to close the loan should your application for a mortgage from the MHFA be approved.

Closing costs are over and above the downpayment for the house and generally include mortgage application and attorney fees, title insurance, fire and hazard insurance (protects both lender and borrower from losses due to fire and other hazards to the house), mortgage insurance premiums (see below), filing and recording fees, standard bank settlement costs and a bank origination fee and MHFA processing fee.

If your downpayment on the house is less than 25% of the purchase price, your MHFA loan must be insured by an approved mortgage insurer. Because of increasingly restrictive guidelines adopted by private mortgage insurance companies, MHFA has created its own Mortgage Insurance Fund. Based on their individual needs, borrowers can choose from one of the annual or monthly payment options offered by the Fund.

The cost of mortgage insurance at closing will depend on the amount of your mortgage loan. For example, if you make a downpayment ranging from 5%-10% of the purchase price you will pay more for mortgage insurance than you will if you make a downpayment of between 15% and 25%.

Together, all of these closing cost expenses will run between 2% and 5% of the mortgage loan. Closing costs will vary depending upon several factors, including whether you choose a mortgage product with a 0, 1 or 2 point option and the costs of mortgage insurance.

After determining what you can afford and noting MHFA's requirements, you can begin the search for an affordable property.

Finding An Affordable Property

Even though home purchase prices are at their lowest level in years, if you are a prospective first-time buyer, owning a home can still seem like an unattainable goal. A home comparison checklist, such as the one included on page 17, is a helpful way to begin the homebuying process and to determine what kind of property will suit your needs.

A. GETTING HELP FROM A REAL ESTATE BROKER

Once you have a clear picture of what you are looking for, you may want to contact a real estate broker. A professional broker knows the market and can make house hunting easier for you. He or she can give you a better understanding of geographic area and price range. The broker's commission is usually 6% to 7% of the sales price. The property seller usually pays the broker's commission.

Prospective buyers should understand that, in most cases, the broker represents the seller – not the buyer. In recent years, "buyer-brokers" have appeared in increased numbers on the real estate scene. They are legally, ethically and professionally obligated to protect the interests of the homebuyer. That means that a buyer-broker will work to help you get the lowest price on your house and the best terms on your mortgage. For information about buyer-brokers, call the Massachusetts Association of Buyer Agents (MABA), 1-800-792-HOME.

B. BUYING A FORECLOSED PROPERTY

Although lenders usually work hard to avoid foreclosing on someone's home, in some cases it is unavoidable. In an effort to resell foreclosed properties held by banks, realtors, mortgage companies and federal agencies, the MHFA offers financing to first-time buyers through its Real Estate-Owned Program.

In addition, the MHFA has its own small number of foreclosed properties which are marketed to potential buyers through its REOpportunity Program. MHFA financing is available to qualified borrowers and conventional financing can be arranged for buyers who do not meet MHFA guidelines. All buyers benefit from cash incentives and may benefit from homebuyer counseling and a rehabilitation package. For details, call MHFA's REO staff at 1-617-854-1313.

C. BUYING A HOUSE IN NEED OF EXTENSIVE REPAIR

Often the best deals on the real estate market are houses in need of substantial repair. These properties are often referred to as "handyman specials." Through the MHFA's Purchase and Rehabilitation option, you can receive financing for the purchase and renovation of a house in cooperation with a local housing rehabilitation agency. A list of participating local agencies is available from MHFA. These local agencies will walk you through every step of the home purchase and rehabilitation process. You will receive help with determining your eligibility for financing, securing a loan, and assessing and completing the needed renovation.

MHFA was an industry pioneer in providing both purchase and rehabilitation financing. This financing continues to be available through all of MHFA's programs, where combined mortgage purchase and rehabilitation costs fall within MHFA's acquisition cost guidelines.

To assist borrowers in this process, MHFA makes these loans available through local rehabilitation agencies (LRAs). Some MHFA lenders are also handling these loans directly in areas not covered by LRAs. Consult a participating lender for details.

Making An Offer To The Seller

Once you have found a house meeting the MHFA's purchase price limits, you are ready to make an offer to the seller. Your offer should reflect the length of time the property has been on the market, what housing is available in the area and how much you want the house. If your offer is lower than the seller's asking price, the seller may accept or reject your offer or make a counter-offer.

A. THE PURCHASE AND SALE AGREEMENT/ACCEPTED OFFER TO PURCHASE AGREEMENT

After settling on a price, your next step is obtaining either an Accepted Offer to Purchase or an Executed Purchase and Sale Agreement. These contracts should describe the complete transaction that will transpire between you and the seller, including the following:

- The price of the house on which you and the seller have agreed.
- A detailed legal description of the property (location, boundaries, etc.).
- A complete listing of what is included in the sale and what is not (appliances, fixtures, furniture, etc.).
- Key contingencies: (these are clauses in the contract which state what must happen if you are to go through with the sale).

Important contingencies include:

1. Getting MHFA financing.
2. A favorable property inspection report.
3. If applicable, the seller making certain repairs on the property.
4. Establishing an estimated date on which the loan will close.

These agreements should give you at least 8 weeks to find a lender and go through the mortgage approval process. If you seek adequate time at the start, you may avoid requesting extensions later.

If you decide to withdraw from the Purchase and Sale or Accepted Offer to Purchase agreements for any reasons not stated in the documents, you can lose your deposit. Accordingly, all borrowers are advised to obtain professional legal advice prior to signing either a Purchase and Sale Agreement or Accepted Offer to Purchase so that you can fully understand all of the rights and responsibilities that go with signing these contracts.

Borrowers also must have a Purchase and Sale Agreement or Accepted Offer to Purchase Agreement in order to apply for MHFA financing.

B. MAKING A DEPOSIT

Once you sign one of the documents explained in section A, you probably will have to place a deposit (sometimes called "earnest money") on the house. This deposit is usually 5% to 10% of the purchase price, but the amount depends on the agreement you negotiate with the seller. If the sale goes through, the deposit generally goes toward the purchase of the property.

Inspecting Your Prospective Home

After you sign an agreement and make a deposit, your next step is to have professional structural and pest inspections done on the property. Appearances can be deceiving, so it is crucial to have a professional evaluation of the house for your protection.

Remember that your right to have such a professional evaluation depends on including an appropriate inspection provision in the Accepted Offer to Purchase or Purchase and Sale documents.

You will find home inspectors listed in the Yellow Pages. Do some comparative shopping by calling several inspectors and asking how much experience they have and what they charge. Licensed contractors, engineers and architects can also perform home inspections.

Once you have hired an inspector, accompany him or her around the property so that you can see what you are buying. Good structural and pest inspectors can uncover problems you did not notice. Deficiencies might include a leaky roof, a sinking foundation or termite damage.

If the examination uncovers serious defects and you have made the purchase contingent upon the outcome of the inspections, you can determine whether to reopen negotiations or withdraw from the agreement. However, if you decide not to go through with the sale, you must have a good reason.

If you want to go through with the sale and you meet all MHFA eligibility requirements, you are ready to apply for financing from a lender that has MHFA mortgage funds available.

A. DEALING WITH LEAD PAINT

Under the state's lead paint law, sellers or real estate brokers are legally required to distribute to prospective homebuyers a notification package to inform them about lead poisoning. Because of the dangers associated with lead paint, the MHFA strongly urges you to have lead paint professionally abated (deleaded, covered or removed) before moving into your new home, particularly if you expect to have young children under the age of 6 living there.

MHFA requires lead paint abatement on the purchase of all 2-4 unit properties that are bank- or regulator-held and on its own 2-4 family REO properties. Financing may be available through the MHFA's "Get the Lead Out" program, or the cost of lead paint abatement may be included in your mortgage loan.

You must comply with the lead law in Massachusetts when addressing lead hazards in your home. For additional information about health and legal issues, contact the Massachusetts Department of Public Health 1-800-532-9571.

B. TITLE V

Massachusetts has approved new regulations which require the inspection of septic systems at the time of sale or transfer of a property, or a change of building use that results in an increased sewage flow, or expansion. All systems for homes purchased with MHFA financing must meet Department of Environmental Protection/Local Board of Health Requirements. Be sure to consult your lender and/or local Board of Health for complete details.

Submitting Your Mortgage Loan Application

A list of lenders participating in MHFA programs is available from MHFA. Locate a lender in the area where you are buying and call to see whether there are MHFA mortgage funds available.

The application and approval procedures are very similar to those for a conventional mortgage.

A. QUESTIONS TO ASK YOUR LOAN OFFICER

Here are some of the key questions you should ask the lender when you apply:

- Are you a participating MHFA lender?
- How much is the application fee? Will the lender refund the fee or any portion of it, and if so, under what conditions? (This fee pays for processing the loan.)
- What other fees and charges are involved? Is it possible to get an estimate?
- Can the lender estimate how long it will take to process the application and close the loan?
- Which credit bureau will the lender use to check my credit history?

B. QUESTIONS THE LOAN OFFICER WILL ASK YOU

Lenders will determine whether you qualify for a mortgage from MHFA by asking 5 major questions and requiring documentation to support your responses.

- Do you meet MHFA's first-time homebuyer requirement and income and home purchase price guidelines?

  A first-time homebuyer is defined as someone who has not had an ownership interest in a principal residence within the past 3 years. *Exception:* You do not have to be a first-time buyer in federally targeted areas: Boston, Chelsea, Everett, Fall River, Lawrence, Lynn, North Adams and Somerville.

  The MHFA's income and home purchase price guidelines are detailed on page 14.

- Do you have sufficient assets to buy the home and close on the loan?

  You will be required to make a minimum 5% downpayment on your home and pay for closing costs which represent between 2% and 5% of the mortgage loan amount at the loan closing. Borrowers should determine whether they have liquid assets sufficient to meet these up-front cash requirements.

- Can you afford the mortgage?

  To determine whether you can afford the mortgage, lenders will calculate your underwriting ratios. These are the ratios you calculated earlier in this brochure (page 2). Calculating these ratios can help you determine whether you meet MHFA guidelines before you go to the lender.

- Are you a good credit risk?

  The lender will also perform a complete check on your credit history to determine whether your credit record is satisfactory. To see if you have met your financial obligations in the past, lenders will request data from credit reporting agencies or directly from grantors of credit (retail stores, Mastercard, Visa, landlords, etc.). Major retailers, credit card companies, and financial institutions supply the information which indicates missed or late payments, as well as any defaults on loans. The lender will want to know whether you have ever declared bankruptcy or have an outstanding court decision pending against you.

  To save time and possible trouble, it is important for you to tell the lender immediately about any past credit problems. Since the law requires credit reporting agencies to provide you with the substance of your credit report, you can get a preview of what the lender will eventually see. For information on how you can obtain a copy of your credit report, contact the Consumer Credit Counseling Service at 1-617-426-6644. Checking your credit records in advance of going to the lender will allow you to correct any mistakes you find, or prepare to explain any problems that appear in the records.

- Is the property of sufficient value to grant you the loan?

  To judge whether the house is of sufficient value to support the loan, the bank will send an appraiser to assess the property's worth. For more information on this process see the section "Appraising Your Prospective Property."

Back-up to Your Mortgage Loan Application

As part of the application process, the loan officer will ask you to fill out a mortgage loan application which requires information on your salary, employment stability, assets and other details which may affect your request for a loan. Then the lender will contact the appropriate parties, including your employer and your bank, to verify the information for accuracy.

When you apply for a mortgage you should bring:

- Purchase and Sale Agreement executed by all parties.
- Numbers of each bank account where deposits are held, plus the name, address, and zip code of each depository and your bank statements from the past 4 months.
- All loans and credit account numbers, plus the name, address, and zip code of each creditor or lender.
- Year-to-date paystubs from your employer(s).
- Name and telephone number of a person whom the appraiser should contact to gain access to the property being purchased.
- Name and telephone number of the real estate broker (if any) involved in the transaction.
- Your own attorney's name and telephone number.
- A copy of your cancelled earnest money check, if available.
- Bring signed income tax returns for the last three years (required by MHFA to verify first-time homebuyer status).
- Social security numbers for each borrower.
- Name(s) and address(es) of your present employer(s) for each borrower: if employed less than 2 years, the name(s) and address(es) of previous employer(s) during the previous 2-year period.
- If you were a full-time student at any time during the past 2 years, be prepared to verify this.
- Photocopies of your stocks and bonds, if you use their value to qualify for the mortgage loan; if they are in the hands of your broker, provide the name and address of your broker, plus your account number(s).
- Condominium buyers should try to obtain a copy of the condominium documents; if the project is approved by the Federal National Mortgage Association (Fannie Mae/FNMA), ask for a FNMA 1028 form.
- An estimate of the annual property taxes and a reliable quote for insurance; condominium buyers should provide an estimate for the homeowner's association fee. If this fee includes heat or water costs, include that information.

A. THE "GOOD FAITH ESTIMATE"

The law requires that within 3 business days of your application, the lender provide you with a "good faith estimate" of the costs you must pay to close the loan. These closing costs (see page 4) may include mortgage application and attorney fees, title insurance, filing and recording fees, private mortgage insurance, fire and hazard insurance, standard bank settlement costs and points (fee for the bank's originating, processing and committing the loan. Points represent 1% of the mortgage amount and on its loans, MHFA allows a maximum of 2 points to be charged.)

B. APPRAISING YOUR PROSPECTIVE PROPERTY

In determining whether to grant you the mortgage loan, the bank will send an appraiser to estimate the value of the property. In arriving at a value, the appraiser will look at comparable sales in the neighborhood and at the condition of the house.

Remember, the bank's appraisal is not a home inspection. The bank's appraiser is only estimating the value of the home for purposes of the mortgage loan. He or she will not check the systems and the structure of the house in the comprehensive manner that a home inspector should. So it is wise to have your own professional inspection of the house done in addition to the bank's independent appraisal.

C. WHAT IF YOUR APPLICATION IS REJECTED?

If your application is not approved you can ask your loan officer for an explanation. For example, there may be a mistake in your documentation which can be corrected, thus allowing the loan to go through.

If the problem is more complicated, get a clear understanding of what went wrong. Under the Equal Credit Opportunity Act (ECOA), the lender must send a notice stating the reasons for the rejection within 30 days of receipt of a complete application. You may also request a formal review of your mortgage loan denial from your lender.

Getting A Commitment From The Lender

If your application is approved, the lender will send you a commitment letter. In your commitment letter, the lender will agree to loan you a specified amount of mortgage funds. The letter should note the following:

- The loan amount.
- The term of the loan.
- The cost of the points. Lenders can charge no more than 2 points on MHFA loans. For example, if you are charged 2 points for a $100,000 MHFA mortgage, you will pay $2,000. Points are generally charged for the lender's originating, processing and committing to the loan.
- The Annual Percentage Rate (APR): Typically, the APR consists of the bank origination fee when combined with the base interest rate, and private insurance costs. This is the cost of credit that consumers pay, expressed as a simple annual percentage. According to the Federal Truth in Lending Act, every consumer loan agreement must disclose the APR in large bold type.
- A breakdown of the principal and interest, fire and hazard insurance, tax and, if applicable, private mortgage insurance payments you will be charged in conjunction with the mortgage.

The lender usually gives you 5 to 7 days to accept the terms of the loan. If you agree with the terms, you sign a copy of the commitment letter and return it to the lender along with the fee for points. The lender's commitment is usually binding for 30 days, during which time you are expected to close the transaction.

However, the commitment letter will generally also include a clause giving the lender the right to terminate the agreement and return the points you paid should there be major changes in either your financial situation or the condition of the property within the 30-day period allotted to close the loan.

If there are no last-minute complications you can move on to the closing.

Closing Your Loan

Your loan has been approved. You have accepted the lender's commitment. Now you are ready for the closing – the big day when you meet with the principal parties in the transaction to close the loan. At the closing you will probably sit down with the seller, your respective attorneys, the real estate brokers and the bank's attorney to sign the legal papers officially transferring ownership of the house from the seller to you the buyer.

You will also be expected to pay the balance of the downpayment and closing costs which are explained on page 4.

Make sure that your Purchase and Sale or Accepted Offer to Purchase gives you the right to examine the property within 24 hours prior to the closing. This will give you a chance to ensure that the property has remained in acceptable condition.

You will need to bring to the closing:

- A certified check in the amount necessary to complete the closing. The correct sum should be provided to you prior to the closing by the attorney closing the loan for the lender.
- A homeowner insurance policy. Many lenders will not accept any insurance "binder" and require the actual policy in hand at the closing.
- Any other documentation needed to comply with the conditions of the commitment letter. If you have doubts, see an attorney. Even if you do not have doubts, we suggest you see an attorney. If all conditions are not fulfilled, your commitment may be invalid.

The closing marks the end of the home-buying process. But what happens afterward? Let's look at the procedure for repaying the MHFA mortgage loan and your responsibilities as a new homeowner.

Handling Your Monthly Mortgage Payment

The mortgage document details your responsibilities as a homeowner including making a monthly mortgage payment to the lender servicing your MHFA loan. The lender will send you a monthly mortgage statement prior to the date your mortgage payment is due. To keep your good credit record, you must pay on or before the due date. If payments are received after the due date, you may have to pay a late penalty.

If financial difficulties prevent you from meeting your payments on time, tell the lender immediately. If you let late payments pile up without explanation, the lender can sell the property in order to recover the money that was loaned. This is called foreclosure – a costly and time consuming process that the lender and MHFA want to avoid. Remember, if you are in a financial bind, work with the lender to prevent the loss of your home.

A. A BREAKDOWN OF YOUR MONTHLY MORTGAGE PAYMENT

Your monthly mortgage statement notes all of the costs included in your monthly loan payment to the lender that services your loan. The look of mortgage statements varies from lender to lender but they should include the following:

- Loan Amount
- Principal Due
- Interest Due
- Insurance Due
- Taxes Due
- Date Due
- Total Payment Due
- Late Penalty (if applicable)

B. PRINCIPAL AND INTEREST BALANCE

Each payment you make will reflect slightly more principal and slightly less interest than the payment before. However, the total dollar amount of your interest and principal payment will remain the same.

C. YOUR ESCROW ACCOUNT BALANCE

The MHFA requires that your monthly mortgage payment also include a deposit into your escrow account. This is a reserve of funds many lenders escrow (set aside) to pay for your real estate and insurance premiums when they are due. When you receive your tax and hazard insurance bills, send them immediately to the lender servicing your loan so that the lender can pay the bills when payment is due.

D. PREPAYMENT

Prepayment means that you pay off the balance of your loan before the term is over. There is no prepayment penalty on a mortgage loan through MHFA.

E. FEDERAL RECAPTURE PROVISIONS

Because they have received a subsidized mortgage through MHFA, buyers who sell their homes within 9 years of the purchase date may have to pay a federal recapture tax. The amount of recapture is determined using a formula which considers household income at the time of sale; the year the home is sold; and how much capital gain has been recognized on the sale of the home. **Lenders are required to disclose and discuss this information with you in more detail at the time that you apply for and close your MHFA loan.**

Glossary

APR. Annual Percentage Rate. Typically, the APR consists of the bank origination fee when combined with the base interest rate, and primary insurance costs. This is the cost of credit that consumers pay, expressed as a simple annual percentage. According to the federal Truth in Lending Act, every consumer loan agreement must disclose the APR in large bold type.

Application. A form which the lender uses to collect information about a prospective borrower and the property being used as collateral.

Appraisal. An evaluation of the property to determine its value for purposes of the mortgage loan. An appraisal is concerned chiefly with market value–what the home would sell for in the marketplace.

Appreciation. An increase in the value of your property.

ASAP. MHFA's Acquisition Set-Aside Program.

Basis Point. 1/100th of one percent.

Binder. A payment or document making an agreement legally binding until the completion of a formal contract.

Building Code. Local or state building regulations which govern the design, construction and materials used in the construction of a building.

Certificate of Title. Like a car title, this is the paper that signifies ownership of a home.

Closing Costs. Sometimes called settlement costs. Costs in addition to price of home, including mortgage service charges, title search and insurance, and transfer of ownership charges. Be sure your sales contract clearly states who will pay each of these costs –buyer or seller.

Closing Day. The date on which the title for property passes from the seller to the buyer and/or the date on which the borrower signs the mortgage.

Condominium. Individual ownership of a dwelling unit and an undivided interest in the common area and facilities which serve the multi-unit project.

Deed. A legal document that transfers ownership of property from one person to another.

Depreciation. A decline in the value of a home as the result of time, changes in the housing market, wear and tear, adverse changes in the neighborhood and its patterns or for any other reason.

Downpayment. An initial payment on a home, usually a specific percentage of the home purchase price, that is required of a borrower at the time of loan closing.

Earnest Money. The deposit money given to the seller by the potential buyer to show that he is serious about buying the home. If the deal goes through, the earnest money is usually applied against the downpayment. If the deal does not go through, it may be forfeited.

Easement Rights. A right of way granted to a person or company authorizing access to or over the owner's land. Electric companies often have easement rights across your property.

Equity. The difference between the market value of the home and the amount of money you still owe on it.

Escrow Funds. Money, or papers representing transactions, which are given to a third party to hold until all conditions in a contract are fulfilled.

Foreclosure. Action a bank takes on a mortgage, usually when the homeowner fails to pay the monthly mortgage payment.

Hazard Insurance. Insurance to protect against damages caused to property by fire, windstorm and other common hazards.

HILP. MHFA's Home Improvement Loan Program.

Homeowner's Association Fee. In determining whether you can afford the property, the lender will calculate the homeowner's association fee as part of your housing to income ratio. Depending on the size of the building housing the condo units, and the types of amenities, this fee can range from approximately $100 to $300. The fee pays for common expenses including insurance, maintenance, trash removal and reserves for future major expenditures.

Home Mortgage Loan. A loan for buying a home.

LRA. Local rehabilitation agency.

Mortgage Commitment. The written notice from the bank or other lender saying that it will advance you the mortgage funds in a specified amount to enable you to buy the home.

Mortgage Discount "Points." Discounts (points) are a one-time charge assessed by a lending institution to increase the yield from the mortgage loan to a competitive position with the yield from other types of investments. One point is equal to one percent of the amount of the mortgage loan.

Mortgagee. The bank or lender who loans the money to the mortgagor.

Mortgagor. The homeowner who is obligated to repay a mortgage loan on a property he has purchased.

Origination Fee. A fee or charge for the work involved in the preparation and processing of a proposed mortgage loan. This is usually paid at closing.

Prepaid Expenses. The initial deposit at time of closing, for taxes and hazard insurance and the subsequent monthly deposits made to the lender for that purpose. Expenses may also include an interest amount.

Repair and Maintenance. The costs incurred in replacing damaged items or maintaining household systems to prevent damage.

Special Assessment. A tax for a specific purpose such as providing paved streets or new sewers. People whose properties abut the improved streets or tie into the new sewer system must pay the tax. Condominium owners may also be assessed for major repairs done in common areas of their building.

Title. The evidence of a person's legal right to possession of property, normally in the form of a deed.

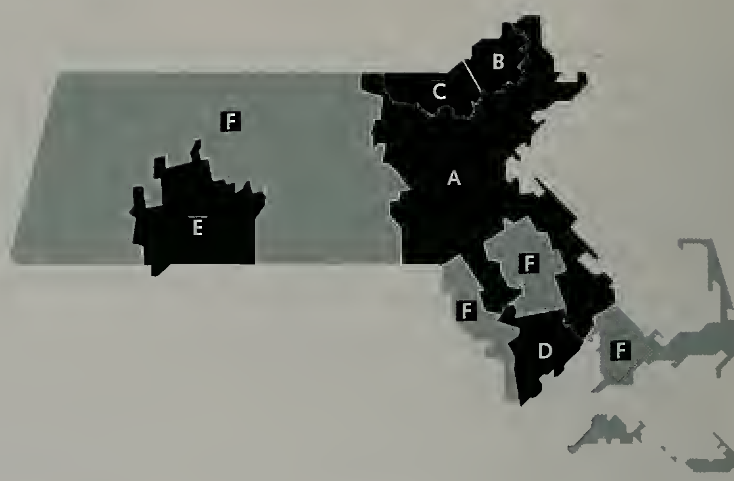
Title Company. A company that specializes in insuring title to property.

Title Insurance. Special insurance which usually protects lenders against loss of their interest in property due to unforeseen occurences that might be traced to legal flaws in previous ownerships. An owner can protect his interest by purchasing separate coverage.

Title Search or Examination. A check of the title records, generally at the local courthouse, to make sure you are buying the house from the legal owner and that there are no liens, overdue special assessments, or other claims or outstanding restrictions filed in the record.

MHFA Acquisition Cost and Income Limits

Use the code on the map at right or refer to the community listings on pages 15-16 to find the market area in which your potential home is located.



Market Area	Communities Within Area	Income Limits 1-2 Persons	Income Limits 3 or More	Types of Construction & Maximum Purchase Price			
A. Boston Market Area	Boston, Cambridge,* Chelsea, Everett, Lynn, Somerville	$50,000	$57,000	Single Family New 2 Family New	$165,000 $185,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$165,000 $185,000 $224,000 $261,000
	All Other Communities	$50,000	$57,000	Single Family New 2 Family New	$144,000 $162,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$144,000 $162,000 $196,000 $228,000
B. Lawrence Market Area	Lawrence	$47,000	$54,000	Single Family New 2 Family New	$160,000 $180,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$146,000 $164,000 $198,000 $231,000
	All Other Communities	$47,000	$54,000	Single Family New 2 Family New	$143,000 $161,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$120,000 $135,000 $163,000 $190,000
C. Lowell Market Area	All	$50,000	$57,000	Single Family New 2 Family New	$143,000 $161,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$120,000 $135,000 $163,000 $190,000
D. New Bedford Market Area	All	$46,000	$52,000	Single Family New 2 Family New	$143,000 $161,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$117,000 $131,000 $159,000 $185,000
E. Springfield Market Area	All	$46,000	$52,000	Single Family New 2 Family New	$143,000 $161,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$111,000 $124,000 $151,000 $175,000
F. Balance of State Market Area	Fall River North Adams	$46,000	$52,000	Single Family New 2 Family New	$145,000 $163,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$140,000 $157,000 $190,000 $221,000
	All Other Communities	$46,000	$52,000	Single Family New 2 Family New	$143,000 $161,000	Single Family Existing 2 Family Existing 3 Family Existing 4 Family Existing	$120,000 $135,000 $163,000 $190,000

*While Cambridge is a federally-targeted area, the City of Cambridge requires MHFA loan recipients to be first-time homebuyers. All other targeted communities above do not require this.

Effective 12/5/94.

List of Communities

Abington	F
Acton	A
Acushnet	D
Adams	F
Agawam	E
Alford	F
Amesbury	A
Amherst	E
Andover	B
Arlington	A
Ashburnham	F
Ashby	F
Ashfield	F
Ashland	A
Athol	F
Attleboro	F
Auburn	F
Avon	F
Ayer	A
Barnstable	F
Barre	F
Becket	F
Bedford	A
Belchertown	E
Bellingham	A
Belmont	A
Berkley	A
Berlin	A
Bernardston	F
Beverly	A
Billerica	C
Blackstone	A
Blandford	F
Bolton	A
Boston	A
Bourne	F
Boxborough	A
Boxford	B
Boylston	F
Braintree	A
Bridgewater	F
Brimfield	F
Brockton	F
Brewster	F
Brookfield	F
Brookline	A
Buckland	F
Burlington	A
Cambridge	A
Canton	A
Carlisle	A
Carver	A
Charlmont	F
Charlton	F
Chatham	F
Chelmsford	C
Chelsea	A
Cheshire	F
Chester	F
Chesterfield	F
Chicopee	E
Chilmark	F
Clarksburg	F
Clinton	F
Cohasset	A
Colrain	F
Concord	A
Conway	F
Cummington	F
Dalton	F
Danvers	A
Dartmouth	D
Dedham	A
Deerfield	F
Dennis	F
Dighton	A
Douglas	F
Dover	A
Dracut	C
Dudley	F
Dunstable	C
Duxbury	A
East Bridgewater	F
East Brookfield	F
East Longmeadow	E
Eastham	F
Easthampton	E
Easton	F
Edgartown	F
Egremont	F
Erving	F
Essex	A
Everett	A
Fairhaven	D
Fall River	F
Falmouth	F
Fitchburg	F
Florida	F
Foxborough	A
Framingham	A
Franklin	A
Freetown	D
Gardner	F
Gay Head	F
Georgetown	B
Gill	F
Gloucester	A
Goshen	F
Gosnold	F
Grafton	F
Granby	E
Granville	F
Great Barrington	F
Greenfield	F
Groton	C
Groveland	B
Hadley	E
Halifax	F
Hamilton	A
Hampden	E
Hancock	F
Hanover	A
Hanson	F
Hardwick	F
Harvard	A
Harwich	F
Hatfield	E
Haverhill	B
Hawley	F
Heath	F
Hingham	A
Hinsdale	F
Holbrook	A
Holden	F
Holland	F
Holliston	A
Holyoke	E
Hopedale	A
Hopkinton	A
Hubbardston	F
Hudson	A
Hull	A
Huntington	E
Ipswich	A
Kingston	A
Lakeville	F
Lancaster	A
Lanesborough	F
Lawrence	B
Lee	F
Leicester	F
Lenox	F
Leominster	F
Leverett	F
Lexington	A
Leyden	F
Lincoln	A
Littleton	A
Longmeadow	E
Lowell	C
Ludlow	E
Lunenberg	F
Lynn	A
Lynnfield	A
Malden	A
Manchester	A
Mansfield	A
Marblehead	A
Marion	D
Marlborough	A
Marshfield	A
Mashpee	F
Mattapoisett	D
Maynard	A
Medfield	A
Medford	A
Medway	A
Melrose	A
Mendon	A
Merrimac	B
Methuen	B
Middleborough	F
Middlefield	F
Middleton	A
Milford	A
Millbury	F
Millis	A
Millville	A
Milton	A
Monroe	F
Monson	E
Montague	F
Monterey	F
Montgomery	E
Mt. Washington	F
Nahant	A
Nantucket	F
Natick	A
Needham	A
New Ashford	F
New Bedford	D
New Braintree	F
New Marlborough	F
New Salem	F
Newbury	A
Newburyport	A
Newton	A
Norfolk	A
North Adams	F
North Andover	B
North Attleborough	F
North Brookfield	F
North Reading	A
Northampton	E
Northborough	F
Northbridge	F
Northfield	F
Norton	A
Norwell	A
Norwood	A
Oak Bluffs	F
Oakham	F
Orange	F
Orleans	F
Otis	F
Oxford	F
Palmer	E
Paxton	F
Peabody	A
Pelham	F
Pembroke	A
Pepperell	C
Peru	F
Petersham	F
Phillipston	F
Pittsfield	F
Plainfield	F
Plainville	A
Plymouth	A
Plympton	F
Princeton	F
Provincetown	F
Quincy	A

Randolph	A
Raynham	F
Reading	A
Rehoboth	F
Revere	A
Richmond	F
Rochester	D
Rockland	A
Rockport	A
Rowe	F
Rowley	A
Royalston	F
Russell	E
Rutland	F
Salem	A
Salisbury	A
Sandisfield	F
Sandwich	F
Saugus	A
Savoy	F
Scituate	A
Seekonk	F
Sharon	A
Sheffield	F
Shelburne	F
Sherborne	A
Shirley	A
Shrewsbury	F
Shutesbury	F
Somerset	F
Somerville	A
South Hadley	E
Southampton	E
Southborough	A
Southbridge	F
Southwick	E
Spencer	F
Springfield	E
Sterling	F
Stockbridge	F
Stoneham	A
Stoughton	A
Stow	A
Sturbridge	F
Sudbury	A
Sunderland	E
Sutton	F
Swampscott	A
Swansea	F
Taunton	A
Templeton	F
Tewksbury	C
Tisbury	F
Tolland	F
Topsfield	A
Townsend	A
Truro	F
Tyngsborough	C
Tyringham	F
Upton	A
Uxbridge	F
Wakefield	A
Wales	F
Walpole	A
Waltham	A
Ware	E
Wareham	A
Warren	F
Warwick	F
Washington	F
Watertown	A
Wayland	A
Webster	F
Wellesley	A
Wellfleet	F
Wendell	F
Wenham	A
West Boylston	F
West Bridgewater	F
West Brookfield	F
West Newbury	B
West Springfield	E
West Stockbridge	F
West Tisbury	F
Westborough	F
Westfield	E
Westford	C
Westhampton	F
Westminster	F
Weston	A
Westport	F
Westwood	A
Weymouth	A
Whatley	F
Whitman	F
Wilbraham	E
Williamsburg	E
Williamstown	F
Wilmington	A
Winchendon	F
Winchester	A
Windsor	F
Winthrop	A
Woburn	A
Worcester	F
Worthington	F
Wrentham	A
Yarmouth	F

House Comparison Checklist

GENERAL INFORMATION	HOUSE 1	HOUSE 2	HOUSE 3	HOUSE 4	HOUSE 5	HOUSE 6
address						
sales price						
total rms./br's/baths						
style/type						
age/condition						
lot size						
shopping/transportation						
neighborhood/schools						
COSTS						
Fire & Hazard Insurance						
Real Estate Taxes						
Homeowner's Assoc. Fees						
Mortgage Insurance						
estimated heating costs/ other utilities						

House Comparison Checklist Continued

	HOUSE 1	HOUSE 2	HOUSE 3	HOUSE 4	HOUSE 5	HOUSE 6
INTERIOR						
rooms/down-up						
fireplace(s)						
kitchen/appliances						
closet/storage space						
basement/attic						
fuel/heat type						
INSULATION						
attic/ventilation						
storm windows/doors						
walls						
HAZARDOUS MATERIALS (LEAD PAINT, ASBESTOS,OTHER)						
EXTERIOR						
type sewerage/ Title V qualified?						
garage/driveway						
grading/drainage						
siding						
roof/gutters						
windows/doors						
landscaping						

Notes

Notes

Yes! I am interested in receiving a schedule of upcoming MHFA Homebuyer Counseling classes.

Name ______________________________

Address ______________________________

City ______________________ State __________ Zip __________

Tel. No. ______________________

Please place post-card stamp here.

Massachusetts Housing Finance Agency
Office of Single-Family Programs
Attn: Homebuyer Counseling
One Beacon Street
Boston, MA 02108-4805

MASSACHUSETTS HOUSING
FINANCE AGENCY

ONE BEACON STREET
BOSTON, MASSACHUSETTS
02108

TEL 1-617-854-1020
TDD 1-617-854-1025